

Message Text

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ACTION EB-08

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TAGS: UNCTAD, EFIN, EINV
SUBJECT: UNCTAD: EXPERTS MEETING ON FINANCE FOR DEVELOP-
MENT, AUGUST 7-11

REFERENCE: A) GENEVA 10401; B) GENEVA 9956; C) ATLAS/BRUCE
TELCON OF 7/10/78

FOR STATE (EB/IFD/ODF) AND TREASURY (IDN)

1. MISSION HAS OBTAINED ADVANCE COPY OF PROVISIONAL ANNO-
TATED AGENDA FOR SUBJECT MEETING, WHICH IS BEING SENT TO
EB/IFD/ODF. AGENDA IDENTIFIES FOLLOWING TWO ISSUES WHICH
WILL BE EXPLORED AT THE MEETING: A) POSSIBILITY OF
UTILIZING AND EXTENDING GUARANTEE POWERS OF EXISTING IFIS
AND/OR DEVISING NEW INSTRUMENTS TO IMPROVE LDCS' ACCESS TO
INTERNATIONAL CAPITAL MARKETS--PARTICULARLY TO MARKETS
EXTENDING LONG-TERM PORTFOLIO FINANCE, AND B) THE FEASIBI-
LITY AND DESIRABILITY OF ESTABLISHING A MULTILATERAL
INSURANCE AND REINSURANCE AGENCY TO GUARANTEE FLOW OF
PRIVATE DIRECT INVESTMENT TO THE LDCS.

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2. UNDER THE FIRST ITEM, AGENDA NOTES THAT SINCE DEVELOP-
MENT BANKS HAVE GENERALLY PREFERRED TO LEND DIRECTLY,
RATHER THAN GUARANTEE THIRD PARTY LOANS, THE DEVELOPMENT
COMMITTEE AND ITS WORKING GROUP ON ACCESS TO CAPITAL MAR-
KETS HAVE EXAMINED POSSIBILITY OF ESTABLISHING A NEW MULTI-
LATERAL GUARANTEE FUND, PROBABLY MANAGED BY WORLD BANK, TO
FACILITATE LDC ACCESS TO EXTERNAL BOND MARKETS. POINTING

OUT THAT THERE WAS LITTLE SUPPORT FOR CREATION OF GUARANTEE FUND IN WG ON ACCESS TO CAPITAL MARKETS, AGENDA MENTIONS THAT IT WOULD BE EASIER FOR EXISTING DEVELOPMENT BANKS TO EXTEND SUCH GUARANTEES IF PLANNED CAPITAL INCREASES FOR DEVELOPMENT BANKS ALLOWED FOR POSSIBILITY THAT SOME PART OF INCREASED CAPITAL WOULD BE MADE AVAILABLE SPECIFICALLY FOR GUARANTEE PURPOSES AND IF SUCH GUARANTEE COMMITMENTS WERE RESTRICTED TO "PARTIAL" GUARANTEES, E.G. GUARANTEES OF LESS THAN THE FULL AMOUNT LENT OR FOR FEWER THAN ALL RISKS. CONCLUDING THAT IT HAS PROVED DIFFICULT TO ESTABLISH A MECHANISM TO ENHANCE LDC ACCESS TO PRIVATE CAPITAL MARKETS, THE AGENDA SUGGESTS THAT EXPERT GROUP EXAMINE PROPOSALS PUT FORWARD AT 1977 IMF-IBRD MEETING--MENTIONING SPECIFICALLY XENOPHON ZOLOTAS/BANK OF GREECE PROPOSAL FOR "AN INTERNATIONAL LOAN INSURANCE SCHEME." AGENDA ALSO SUGGESTS EXPERTS EXAMINE PROPOSAL ON LONG-TERM FINANCING INFORMALLY SUBMITTED BY MEXICO TO MEETING OF SENIOR DEVELOPMENT COMMITTEE OFFICIALS IN MEXICO CITY IN APRIL 1978.

3. ON SECOND ITEM, AGENDA NOTES THAT QUESTION OF ESTABLISHING A MULTILATERAL MECHANISM TO GUARANTEE FLOW OF PRIVATE DIRECT INVESTMENT TO LDCS HAS BEEN DISCUSSED FOR MANY YEARS IN VARIOUS FORUMS, INCLUDING THE OECD, WORLD BANK, FIRST UNCTAD CONFERENCE AND WITHIN THE EEC. POINTING OUT THAT ALL MAJOR OECD COUNTRIES ALREADY EXTEND COVERAGE FOR RISKS ON A BILATERAL BASIS, THE AGENDA QUESTIONS LIMITED OFFICIAL USE

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WHETHER THERE IS A ROLE FOR A MULTILATERAL AGENCY. ALTHOUGH IT IS POSSIBLE FOR BILATERAL AND MULTILATERAL PROGRAMS TO "WORK ALONGSIDE EACH OTHER," AGENDA STATES THAT IT WOULD HAVE TO BE DEMONSTRATED THAT THE MULTILATERAL AGENCY WOULD ENSURE A LARGER AMOUNT OF INVESTMENT AND UNDERTAKE ADDITIONAL RISKS NOT TRADITIONALLY BORNE BY NATIONAL SCHEMES. IT ALSO POINTS OUT THAT THE QUESTION OF THE NATURE AND NEED FOR LDCS TO PARTICIPATE IN, AND COVER LOSSES OF, A MULTILATERAL INSURANCE SCHEME HAS BEEN A SOURCE OF CONTROVERSY.

4. U.S. EXPERT: UNCTAD SECRETARIAT VERY MUCH WANTS DAVID DE NOON OF EXIMBANK TO ATTEND MEETING AS U.S. EXPERT BECAUSE OF HIS WIDE-RANGING KNOWLEDGE AND EXPERIENCE GAINED FROM HIS PRESENT POSITION AND FORMER POSITIONS IN USAID AND AS PROFESSOR AT NEW YORK UNIVERSITY (WHERE HE DID SOME WORK WITH UN SECRETARIAT). FURTHERMORE, IN TELEPHONE CONVERSATION WITH MEMBER OF UNCTAD SECRETARIAT EARLIER THIS WEEK, DE NOON CONVEYED THE IMPRESSION THAT HE HAD BEEN CLEARED BY THE USG TO ATTEND THE MEETING. SECRETARIAT TOLD MISSION OFFICER THAT U.S. COULD SEND SECOND EXPERT TO MEETING IF IT WISHED, BUT THAT UNCTAD WOULD ONLY PAY TRAVEL AND PER DIEM COSTS FOR ONE.

5. RECOMMENDATION: UNLESS WASHINGTON HAS STRONG FEELINGS TO THE CONTRARY, MISSION RECOMMENDS THAT WE INFORM SECRETARIAT THAT WE WOULD HAVE NO OBJECTION TO DE NOON SERVING AS U.S. EXPERT TO SUBJECT MEETING. SECRETARIAT IS WELL AWARE OF DE NOON'S BACKGROUND AND CREDENTIALS AND BELIEVES HE WILL MAKE VALUABLE CONTRIBUTION TO THE EXPERT GROUP. VANDEN HEUVEL

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